MARKET RENT UPDATE

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Unimproved Aeronautical Land Rates at the 6 MAC Reliever Airports Minneapolis, Minnesota

Prepared for:

Ms. Kelly Gerads, A.A.E.
Assistant Director of Reliever Airports
Metropolitan Airports Commission
6040 28th Avenue South
Minneapolis, Minnesota 55450

Date of Report: December 22, 2023
Date of Analysis: June 15, 2023

Airport Business Solutions

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December 22. 2023

Ms. Kelly Gerads, A.A.E.
Assistant Director of Reliever Airports
Metropolitan Airports Commission
6040 28th Avenue South
Minneapolis, Minnesota 55450

RE: Market Rent Analysis Update
Unimproved Aeronautical Land Rates
at the 6 MAC Reliever Airports
Minneapolis, Minnesota

Dear Ms. Gerads:

In accordance with your request, ***Airport Business Solutions (ABS)*** has completed an updated comprehensive analysis of the six reliever airports within the Metropolitan Airports Commission (MAC) system and their competing markets for the purpose of providing updated estimates of the current annual unimproved aeronautical land rates applicable to each airport. The airports include St. Paul Downtown (STP), Flying Cloud (FCM), Anoka County - Blaine (ANE), Crystal (MIC), Airlake (LVN) and Lake Elmo (21D). This analysis is to provide an updated opinion of the Market Rent for unimproved aeronautical land at each airport to assist MAC with current and future lease negotiations and rate-setting. It should be noted that this analysis reflects an update of our original 2004 Reliever Airports Rates and Fees Analysis and subsequent 2018 update.

NOTE: *The lease rates indicated for the land uses herein are not specific to any designated parcel. The MAC is advised to utilize these recommended rates as a guideline for rate-setting, with prospective adjustments being warranted for specific leasehold characteristics and/or lease conditions.*

The data and analyses herein represent an updated Market Rent Analysis on unimproved aeronautical land at each of the six reliever airports, to include rates associated with private storage hangar sites and commercial aeronautical properties, per your request.

The following document is intended to comply with the reporting requirements set forth under Standards Rule 2-2 of the Uniform Standards of Professional Appraisal Practice. As such, it does not include a full discussion of the data, reasoning, and analyses that were used to develop the consultant's opinions of Market Rent. Within this document, data and analyses are summarized with supporting documentation, reasoning and analyses retained in the consultant's files. The consultant is not responsible for any unauthorized use of this report.

After careful analysis of the subject airports and their competitive environments, as well as the local and regional aviation market, it is our opinion that the current Market Rent for unimproved aeronautical land for storage hangar sites and commercial aeronautical properties at each of the six reliever airports in the MAC system, as of June 15, 2023, are as follows:

MAC RELIEVER AIRPORTS UNIMPROVED AERONAUTICAL LAND LEASE RATES		
Airport	**Storage Hangar Sites Annual Rent Per. Sq. Ft.**	**Commercial Sites Annual Rent Per Sq. Ft.**
St. Paul Downtown (STP)	$0.80	$0.55
Flying Cloud (FCM)	$0.65	$0.50
Anoka County – Blaine (ANE)	$0.60	$0.45
Crystal (MIC)	$0.55	$0.35
Airlake (LVN)	$0.55	$0.30
Lake Elmo (21D)	$0.50	$0.25

It is significant to note that these recommended rates are exclusive of the infrastructure preservation fees that are currently imposed by MAC on all leased parcels at the reliever airports. *This analysis is intended to provide a baseline for unimproved ground lease rates for aeronautical properties at the six reliever airports within the MAC system of airports. It is recommended that MAC be flexible in any rate negotiations, specifically relative to lease terms or other terms and conditions based upon the capital commitments of a Lessee. This is standard within the industry whereby a tenant proposing significant capital improvements may improve the facilities and amenities offered to based and transient aircraft.*

In addition, MAC has requested an opinion of the reasonableness of current rates and the rate adjustment index. Predicated upon the concluded market-based rental rates compared to the current rate structure utilized by MAC for the reliever airports, the overall rental structure currently utilized is deemed to be reasonable and supportable in the marketplace. Furthermore, the current rent escalator of 4% is generally consistent with adjustment terms found at airports throughout the U.S., which tend to fall in the range of 3% to 4% annually. Although the trends in the Consumer Price Index have been somewhat lower over the past 20 years, airports are more severely impacted by rising costs associated with labor, concrete, asphalt, steel, fuel, and technology advancements. For example, the current rate of inflation in the U.S. has generated a much higher CPI index than typically experienced. Moreover, changing regulatory requirements by the FAA creates a greater level of risk associated with operating cost volatility. In addition, the lack of a reversion clause in leases at MAC reliever airports creates a revenue risk to the airport sponsor due to the inability to rely on future revenue streams to be derived from leasehold improvements that would typically revert upon lease termination. Therefore, the 4% escalator is deemed reasonable.

Moreover, an assessment of the current infrastructure preservation fees was requested by the client. As will be discussed herein, it is our opinion that the current infrastructure preservation fee of +/-$0.12 per square foot of leasehold is generally reasonable. However, a few minor modifications to the assessment are recommended for consideration. First, the current policy of increasing fees at an annual rate of 5% is somewhat high on a year-over-year basis. It is suggested

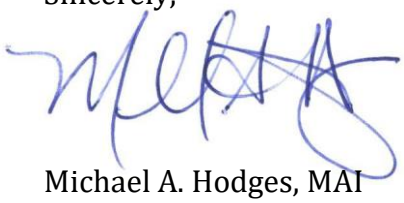
that any rate be adjusted commensurate with the applicable index rate for underlying ground lease rates at each airport.

Second, while the current system reflecting the same rate being applicable for each airport is fine, the allocation of infrastructure preservation fees to each airport based upon more of a prorated allocation should be considered. For example, STP and FCM generate the greatest revenue to MAC for the infrastructure presentation fees but exhibit the same priority in the allocation of those funds to pertinent projects at each airport.

Finally, the current fee structure places all of the economic burden on the airport tenants, with no quantifiable pass-through to transients. It is suggested that a transition of the infrastructure preservation fees from a tenant ground lease expense to a fuel flowage fee assessment would be more appropriate in passing along some of the contributory costs to transient users of the airports. For example, a current fuel flowage fee assessment of $0.11 per gallon would yield a similar revenue stream to MAC as the current ground lease rate assessment. Moreover, the revenues would grow as the activity levels at the reliever airports increase, which would be commensurate with the need for infrastructure improvements. As such, a fuel flowage fee assessment of $0.10 to $0.12 per gallon that is dedicated as the "Infrastructure Preservation Fee" is deemed a more fair and viable fee structure for the MAC reliever airport system.

The following report contains pertinent data assembled during our investigation, along with our analyses and conclusions. We appreciate this opportunity to be of service to the Metropolitan Airports Commission on this project. If you should have any further questions, or request additional information or clarification, please advise.

Sincerely,



Michael A. Hodges, MAI
President/CEO
Airport Business Solutions

ANALYSIS, DEVELOPMENT AND REPORTING PROCESS

This assignment involved preparation of an updated Market Rent Analysis of unimproved aeronautical land at the six reliever airports within the Metropolitan Airports Commission (MAC) system of airports referenced herein communicated within a Summary Report as defined by the *Uniform Standards of Professional Practice*. At the Airport's request, the purpose of this analysis is to provide an opinion of the updated annual Market Rent applicable to unimproved storage hangar sites and commercial aeronautical land parcels at each airport to assist the MAC with current and future lease negotiations and rate-setting. The airports include St. Paul Downtown (STP), Flying Cloud (FCM), Anoka County - Blaine (ANE), Crystal (MIC), Airlake (LVN) and Lake Elmo (21D). It should be noted that the rates projected for aeronautical land are not specific to any designated parcel on any of the airports.

It is significant to note that the recommended rates herein are exclusive of the infrastructure preservation fees that are currently imposed by MAC on all leased parcels at the reliever airports.

The consultant inspected the subject Airports, as well as pertinent land and improvements. All available information on comparable airport land rental data was gathered and analyzed. Confirmation of market data was via third-party sources deemed reliable by the consultant. Our final conclusions are based on a comprehensive study of market trends observed in the area.

PURPOSE, SCOPE AND FUNCTION OF THE ASSIGNMENT

The scope of this assignment is to estimate the updated Market Rent for unimproved aeronautical land at the six reliever airports in the MAC system of airports, exclusive of the infrastructure preservation fees. The airports include St. Paul Downtown (STP), Flying Cloud (FCM), Anoka County - Blaine (ANE), Crystal (MIC), Airlake (LVN) and Lake Elmo (21D). In accordance with the MAC's application of assigning different lease rates for storage hangar sites and parcels for commercial aeronautical use, the concluded rates for each airport reflect this structure. The intended users of this report are various representatives of the Metropolitan Airports Commission, while the intended use is to assist MAC with current and future rate-setting on unimproved storage hangar sites and commercial aeronautical land parcels at each of the six reliever airports. As previously noted, the rates indicated for unimproved aeronautical land herein are not specific to any designated parcel or leasehold area at any of the airports and exclusive of the infrastructure preservation fees.

This analysis is intended to provide a baseline unimproved ground lease rates (exclusive of infrastructure preservation fees) for aeronautical properties at the six reliever airports within the MAC system. It is recommended that the MAC be flexible in any rate negotiations, specifically relative to lease terms or other terms and conditions based upon the capital commitments of a Lessee. This is standard within the industry whereby a tenant proposing significant capital improvements may improve the facilities and amenities offered to based and transient aircraft.

This analysis is conveyed to the Client in a summary document reflecting salient facts and conclusions on the properties identified herein. Consideration is given to all pertinent factors affecting the properties and the specific dates and rental rates herein, with only a summary of data and analyses relevant to the conclusions. Pertinent market data is retained in the consultant's files. It is assumed that ***Airport Business Solutions* (*ABS*)** and their representatives were provided all available information by the Metropolitan Airports Commission, and that said information is current and accurate. ***ABS*** reserves the right to modify its conclusions if it is discovered that pertinent information was not made available.

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IDENTIFICATION OF PROPERTIES ANALYZED

The subjects of this analysis include non-specific aeronautical land at the six reliever airports within the MAC system of airports in the Minneapolis-St. Paul metropolitan area. The airports include St. Paul Downtown (STP), Flying Cloud (FCM), Anoka County-Blaine (ANE), Crystal (MIC), Airlake (LVN) and Lake Elmo (21D).

In accordance with the MAC's application of assigning different lease rates for storage hangar sites and those for commercial aeronautical use, the concluded rates for each airport reflect this structure. This analysis provides an opinion of the current Market Rents at each of the six reliever airports to assist the MAC with current and future rate-setting and lease negotiations. As previously noted, the rates indicated for unimproved aeronautical land herein are not specific to any designated parcel or leasehold area.

As previously noted, the MAC is advised to utilize these rates as a guideline for rate-setting, with prospective adjustments being warranted for specific leasehold characteristics or lease conditions. ***Moreover, it is significant to note that the analysis herein is exclusive of the infrastructure preservation fees that are currently imposed by MAC on all leased parcels at the reliever airports.***

DATE OF RENT ESTIMATE

The date of this report is December 22, 2023, which corresponds to our written composition. A recent on-site review and personal inspection of the airports was performed on June 14 and 15, 2023.

DEFINITION OF MARKET RENT

The primary value estimate herein conforms with the definition of "Market Rent" per **The Dictionary of Real Estate Appraisal** (Fifth Edition, page 121-122), specifically defined as "*The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).*"

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MAC RELIEVER AIRPORT SYSTEM

The MAC owns and operates 7 airports within their system, led by the Minneapolis-St. Paul International Airport (FAA Identifier MSP), which serves as the primary commercial service airport for the region. In addition to and in support of MSP, MAC owns and operates six reliever airports scattered throughout the Minneapolis/St. Paul metropolitan area. These airports include St. Paul Downtown (STP), Flying Cloud (FCM), Anoka County - Blaine (ANE), Crystal (MIC), Airlake (LVN) and Lake Elmo (21D).

Over the past five years, the MAC has invested more than $50 million into the reliever airports to facilitate a safe, efficient and modern general aviation airport system. The most significant was the new, realigned and extended runway at Lake Elmo Airport. The investments by MAC have spurred significant private investment in infrastructure and services at the six general aviation airports. This includes tenants constructing 12 airport hangars across the reliever airport system in 2022, including a 10,000-square-foot facility at Lake Elmo and a 25,000-square-foot corporate aircraft facility at Airlake.

While overall operations in 2022 fell by 3% throughout the reliever system over 2021, three of the six airports actually experienced an increase in operations in 2022, led by a continued rebound in corporate general aviation activity. The various airport's flight training schools, charter operators, maintenance companies, fixed-base operators and avionics firms also report they are busier than ever.

St. Paul Downtown Airport

The St. Paul Downtown Airport (FAA Identifier STP), also known as Holman Field, is located five minutes from the St. Paul central business district and 15 minutes from downtown Minneapolis. STP is considered to be the primary reliever airport for MSP and is the only reliever airport in the MAC system with a runway longer than 6,000 feet. STP offers a total of three runways: Runway 14/32 (6,491' x 150'), Runway 13/31 (4004' x 150'), and Runway 9/27 (3,642' x 100'). STP offers precision instrument approaches to Runways 14 and 32, non-precision instrument approaches to Runways 14, 31 and 32, and a published precision instrument approach procedure for helicopters. More than 41,000 takeoffs and landings occur at the Airport annually and there are 92 based aircraft. Two fixed-base operators (Signature Flight Support and St. Paul Flight Center) provide services such as fueling, flight training and maintenance.

Flying Cloud Airport

Flying Cloud Airport (FAA Identifier FCM) is situated in the southwestern corner of the Twin Cities metropolitan area in the upscale community of Eden Prairie. FCM serves the needs of corporate aviation in the region, in part through its diverse array of service providers such as FBOs, flight training, aircraft charter, aircraft rental, sales and maintenance. Airport infrastructure at FCM includes Runway 10L/28R (3,901 feet by 75 feet), Runway 10R/28L (5,000 feet by 100 feet), and Runway 18/36 (2,690 feet by 75 feet). As one of the busiest airports in the reliever system at over 122,000 operations annually, FCM offers an FAA-operated control tower, an instrument landing system with a precision instrument approach to Runway 10R and non-precision instrument approaches to Runways 10R, 28L, 28R and 36. The Airport also has a published precision instrument approach procedure for helicopters. Flying Cloud Airport offers a total of 362 based aircraft. The new south building area facilitated additional hangar construction with plans for additional development areas when the ATCT is relocated.

Anoka County – Blaine Airport

The Anoka County – Blaine Airport (FAA Identifier ANE) is located in the southern part of Anoka County and the City of Blaine, approximately 12 miles north of downtown Minneapolis and 12 miles northwest of downtown St. Paul. The 1,800-acre airport is situated in the north Metro area near the National Sports Center and has undergone a series of improvements over the years including extending and widening Runway 9/27, lengthening the adjoining taxiway, and installing an instrument landing system with approach lighting and runway identifier lights on Runway 27.

ANE offers a diverse aircraft mix with Runway 9/27 being 5,000 feet by 100 feet and Runway 18/36 reflecting a length of 4,855 feet and width of 100 feet. A precision approach is available on Runway 27 and a contract air traffic control tower. The Airport supports more than 65,000 takeoffs and landings annually with 360 based aircraft.

Crystal Airport

Crystal Airport (FAA Identifier MIC) is located in Hennepin County, approximately seven miles northwest of downtown Minneapolis, and lies within the City of Crystal (small portions of Airport property also extend into the Cities of Brooklyn Park and Brooklyn Center). The Airport encompasses approximately 436 acres of land, with a 3-runway configuration. MIC currently offers two paved runways and one turf runway. Runway 14/32 is asphalt paved and is 3,751 feet by 75 feet. The paved crosswind runway (6L/24R) is 2,500 feet long and 75 feet wide, while the turf runway (6R/24L) is 1,669 feet long and 137 feet wide. MIC offers an FAA-operated air traffic control tower. Annual operations are just over 42,000 and there are 156 based aircraft. The Airport added a new north building area and a MAC-owned self-service fueling system.

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Airlake Airport

Airlake Airport (FAA Identifier LVN) is located in Dakota County, approximately 17 miles south of MSP, 20 miles south of the City of Minneapolis, and approximately 25 miles southwest of the City of St. Paul. It lies within the borders of Eureka Township and abuts the southern border of the City of Lakeville. LVN has a single 4,099-foot by 75-foot runway (Runway 12/30) and a full-length parallel taxiway with a precision instrument approach to Runway 30 and a non-precision approach to Runway 12. Pilots use common traffic advisory procedures flying to and from the Airport, which has no air traffic control tower. Although used primarily by recreational pilots, Airlake is located near one of Minnesota's largest industrial parks, making it well-suited for business aviation needs as well. The Airport has enjoyed significant hangar development in recent years including the new south building area. The Airport reflects more than 38,000 landings and takeoffs annually with 139 based aircraft. Future plans at LVN include additional new hangars and expanding the runway to 4,850 feet.

Lake Elmo Airport

Lake Elmo Airport (FAA Identifier 21D) encompasses approximately 640 acres of land in Washington County, approximately 12 miles east of the downtown St. Paul central business district. It also lies one mile east of downtown Lake Elmo, which is within Baytown Township and is bordered by portions of West Lakeland Township and the City of Lake Elmo. Lake Elmo Airport accommodates approximately 32,000 total aircraft operations annually and has 186 based aircraft. It has two paved runways, with the primary runway being Runway 14/32, which is 3,500 feet long by 75 feet wide. The crosswind runway is Runway 04/22 which is 2,750 feet long by 75 feet wide. There are two non-precision instrument approaches to the Airport, which has no control tower, and fueling, flight training and aircraft maintenance services are available from a single fixed-base operator. Recent development includes 8 new storage hangars built on a former commercial site and the FBO constructed a new 10,000 square foot hangar to meet existing and future demand.

MARKET RENT ANALYSIS

In this analysis, the purpose of the assignment is to provide a Market Rent Update for unimproved aeronautical land at the six reliever airports within the MAC airport system. The airports include St. Paul Downtown (STP), Flying Cloud (FCM), Anoka County - Blaine (ANE), Crystal (MIC), Airlake (LVN) and Lake Elmo (21D). In accordance with the MAC's application of assigning different lease rates for storage hangar sites and those for commercial aeronautical use, the concluded rates for each airport reflect this structure. As previously noted, the rates indicated for unimproved aeronautical land herein are not specific to any designated parcel or leasehold area and are exclusive of the infrastructure preservation fee.

While one methodology is to evaluate sales of similar sites and apply a rate of return to arrive at an underlying market rent, airports are unique in that the properties cannot readily be sold, are reliant on a complex and expensive infrastructure base. In addition, they are highly regulated on not only a local level, but also a State and Federal level. In the case of airport properties, a combination of local zoning, operational restrictions, safety and security guidelines, and Federal mandates, all govern the type, size and location of improvements on an airport parcel.

Based upon the aforementioned factors, as well as numerous others, it is the consultants' opinion that the most accurate and effective methodology is the assessment of rental rates of similar land at similar and competing airports, which is consistent with the FAA's Rates and Charges Policy for fair and reasonable rates and fees for aeronautical land at airports. As such, the estimation of market-based rental rates for the subjects is completed through an analysis of unimproved aeronautical land throughout the region. These rental rates are derived from similar airports throughout the immediate region, with special attention to airports offering similar locational, physical, and operational characteristics to the MAC reliever airports where available. Detailed comparable data and analyses have been retained in the consultants' files.

As previously discussed, the rates indicated for the land uses within this report are not specific to any designated parcel or building space and are exclusive of the infrastructure preservation fee.

It is recommended that the MAC be flexible in any rate negotiations, specifically relative to lease terms or other terms and conditions based upon the capital commitments of a Lessee. This is standard within the industry in situations whereby a tenant proposing significant capital improvements may improve the facilities and amenities offered to based and transient aircraft, and/or enhance the utility and extend the useful life of existing facilities. However, capital investment should not consider any expenditures necessary to address any deferred maintenance existing on the property as of the date of the negotiation with an existing tenant.

In this analysis, a wide array of market data was analyzed for each airport. Where available and appropriate, emphasis was placed on airports offering similar locational characteristics, such as within or proximate to a major metropolitan area. In addition, attention was placed on similar operational and infrastructure characteristics. The selection of market-based rental rates is based upon the information analyzed by the consultant, with consideration to the utility of the current and available site and existing site improvements identified herein. Based upon the breadth of the consultant's research, there was sufficient data to derive reasonable conclusions of market rent for unimproved aeronautical land at each airport. On the following pages are summaries of relevant market data compiled and analyzed for each of the MAC reliever airports. For the purpose of analysis, the data has been divided into two data groups: 1) market data deemed most applicable to the more corporate focused airports (St. Paul Downtown, Flying Cloud, and Anoka County-Blaine); and 2) airports that are more focused on piston aircraft activity, which currently reflect differing economic characteristics than the first set of market data (Crystal, Airlake and Lake Elmo). While the group 1 airports also accommodate and service smaller piston aircraft, their predominant focus is toward turbine and turboprop aircraft. (**Note**: While the Airlake and Lake Elmo Airports are growing at a significant rate and are experiencing notable trends toward more business-type aircraft activities, as of the date of this report, they still represent more recreational focused airports.)

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COMPARABLE LAND RENTS FOR STP, FCM & ANE		
AIRPORT	**LOCATION**	**LAND RENT PER SQ. FT.**
Lunken (LUK)	Cincinnati, OH	$0.1575-$0.33
Waukesha County (UES)	Waukesha, WI	$0.2717-$0.4207
Kansas City Downtown (MKC)	Kansas City, MO	$0.245
Timmerman Field (MWC)	Milwaukee, WI	$0.25-$0.30
DeKalb Peachtree (PDK)	Atlanta, GA	$0.40-$0.50
South St. Paul Municipal (SGS)	South St. Paul, MN	$0.41
Kenosha Regional (ENW)	Kenosha, WI	$0.25
Waukegan Regional (UGN)	Waukegan, IL	$0.40-$0.65
DuPage (DPA)	West Chicago, IL	$0.70-$0.90
Chicago Executive (PWK)	Wheeling, IL	$0.66-$0.99
Oakland County (PTK)	Detroit, MI	$0.30
Capital City (LAN)	Lansing, MI	$0.23-$0.28
St. Louis Spirit (SUS)	St. Louis, MO	$0.285-$0.50
Gwinnett County-Briscoe Field (LZU)	Lawrenceville, GA	$0.29
Bolton Field (TZR)	Columbus, OH	$0.35
John C. Tune (JWN)	Nashville, TN	$0.35-$0.50
Gary-Chicago Int'l (GYY)	Gary, IN	$0.35-$0.50
Aurora, Municipal (ARR)	Aurora, IN	$0.39-$0.47
Rocky Mountain Metropolitan (BJC)	Denver, CO	$0.4037-$0.49
Atlanta Regional (FFC)	Peachtree City, GA	$0.45
Eagle Creek Airpark (EYE)	Indianapolis, IN	$0.47
Indianapolis Metropolitan (UMP)	Fishers, IN	$0.48
Centennial (APA)	Denver, CO	$0.50-$0.70
Cleveland Regional Jetport (RZR)	Cleveland, TN	$0.65
Madison Dane County (MSN)	Madison, WI	$0.733

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COMPARABLE LAND RENTS FOR MIC, LVN & 21D		
AIRPORT	**LOCATION**	**LAND RENT PER SQ. FT.**
New Richmond (RNH)	New Richmond, MN	$0.12
Princeton Municipal (PNM)	Princeton, MN	$0.20
Faribault Municipal (FBL)	Faribault, MN	$0.17
Indianapolis Regional (MQJ)	Greenfield, IN	$0.15-$0.16
Waukesha County (UES)	Waukesha, WI	$0.2717-$0.4207
Ohio State University (OSU)	Columbus, OH	$0.35-$0.50
South St. Paul Municipal (SGS)	South St. Paul, MN	$0.41
Kansas City Downtown (MKC)	Kansas City, MO	$0.245
Tampa Executive (VDF)	Tampa, FL	$0.30
Timmerman Field (MWC)	Milwaukee, WI	$0.2265-$0.2675
Hendricks County (2R2)	Indianapolis, IN	$0.23
Lee's Summit Municipal (LXT)	Lee's Summit, MO	$0.23
Tunica Municipal (UTA)	Tunica, MS	$0.25
Oakland Southwest (Y47)	New Hudson, MI	$0.26
Oakland-Troy (VLL)	Detroit, MI	$0.28
Aurora, Municipal (ARR)	Aurora, IN	$0.39-$0.47
Eagle Creek Airpark (EYE)	Indianapolis, IN	$0.47
Knoxville Downtown (DKX)	Knoxville, TN	$0.60
Bolton Field (TZR)	Columbus, OH	$0.35
Atlanta Regional (FFC)	Peachtree City, GA	$0.45
Schaumburg (O6C)	Schaumburg, IL	$0.80

Where relevant data was available, emphasis was placed upon ground lease rates at reliever airports surrounding major metropolitan areas. In many major areas similar to the Minneapolis-St. Paul region, there are multiple reliever airports catering to different market segments. It should be noted that in instances where a range of rates is exhibited, the lower rate is generally applicable to commercial aeronautical leases, while the higher rates are for private hangar storage sites. The difference in these two rates is generally associated with the lower rate reflecting not only the additional fees being paid by commercial businesses through percentage rents and fuel flowage fees (if they are fuel providers), but also to the fact that they are required to comply with Minimum Standards and other requirements imposed by the airport sponsor. Moreover, the commercial businesses are providing services to the flying public that are deemed essential to the continued support of airport users. As for storage hangar leases, these are for private developments that have no additional rent requirement or are required to meet any operational requirements other than to comply with airport rules and regulations, which apply to everyone utilizing the airport.

In addition to the general market and operational characteristics, emphasis in the final rate selection was placed on the fact that the airport leases within the MAC system do not include reversion clauses. In other words, improvements do not revert to the ownership of the MAC upon lease termination. This effective creates a “perpetual lease” agreement in that as long as the Lessee owns the improvements, they maintain the right to maintain a lease at the prevailing market rates for their particular airport. This is highly unusual in the airport industry. In the vast majority of cases, ground leases are for a fixed term (20-40 years), with the Lessee obligated to construct structural and site improvements on the leased parcel. Upon lease termination, ownership to all improvements reverts to the airport sponsor, who maintains the right to require the Lessee to remove all improvements at their expense, lease the land and improvements to the prior Lessee, or lease the land and improvements to a new Lessee at the prevailing market rate. Given the foregoing, it is the consultant's opinion that annual rental rates for unimproved storage hangar sites and commercial aeronautical land parcels at the six reliever airports within the MAC system are as follows.

MAC RELIEVER AIRPORTS UNIMPROVED AERONAUTICAL LAND LEASE RATES		
Airport	**Storage Hangar Sites Annual Rent Per. Sq. Ft.**	**Commercial Sites Annual Rent Per Sq. Ft.**
St. Paul Downtown (STP)	$0.80	$0.55
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Anoka County – Blaine (ANE)	$0.60	$0.45
Crystal (MIC)	$0.55	$0.35
Airlake (LVN)	$0.55	$0.30
Lake Elmo (21D)	$0.50	$0.25

It is significant to note that these recommended rates are exclusive of the infrastructure preservation fees that are currently imposed by MAC on all leased parcels at the reliever airports.

This analysis is intended to provide a baseline for unimproved ground lease rates for aeronautical properties at the six reliever airports within the MAC system of airports, exclusive of the infrastructure preservation fees. It is recommended that MAC be flexible in any rate negotiations, specifically relative to lease terms or other terms and conditions based upon the capital commitments of a Lessee. This is standard within the industry whereby a tenant proposing significant capital improvements may improve the facilities and amenities offered to based and transient aircraft.

RECONCILIATION AND FINAL RENT ESTIMATE

Reconciliation is the process of evaluating facts, trends, observations, and conclusions developed in the valuation methods utilized to derive the final updated estimate of Market Rent for unimproved aeronautical land at the six reliever airports within the Metropolitan Airports Commission system of airports. As noted herein, although the MAC assigns multiple different lease rates depending upon the lease structure, per MAC policy and ordinance, in this analysis the concluded rates herein reflect a single aeronautical land rent for each airport consistent with the original analysis. Moreover, it is significant to note that the rates indicated for unimproved aeronautical land herein are not specific to any designated parcel or leasehold area at any of the six airports and are exclusive of the infrastructure preservation fees.

After careful analysis of the subject airports and their competitive environments, as well as the local and regional aviation market, it is our opinion that the current Market Rent for unimproved aeronautical land at each of the six reliever airports in the MAC system, as of June 15, 2023, are as follows:

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Airport	**Storage Hangar Sites Annual Rent Per. Sq. Ft.**	**Commercial Sites Annual Rent Per Sq. Ft.**
St. Paul Downtown (STP)	$0.80	$0.55
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As noted herein, these recommended rates are exclusive of the infrastructure preservation fees that are currently imposed by MAC on all leased parcels at the reliever airports.

This analysis is intended to provide a baseline for unimproved ground lease rates for aeronautical properties at the six reliever airports within the MAC system of airports. It is recommended that MAC be flexible in any rate negotiations, specifically relative to lease terms or other terms and conditions based upon the capital commitments of a Lessee. This is standard within the industry whereby a tenant proposing significant capital improvements may improve the facilities and amenities offered to based and transient aircraft.

In addition, MAC has requested an opinion of the reasonableness of current rates and the rate adjustment index. Predicated upon the concluded market-based rental rates compared to the current rate structure utilized by MAC for the reliever airports, the overall rental structure currently utilized is deemed to be reasonable and supportable in the marketplace. Furthermore, the current rent escalator of 4% is generally consistent with adjustment terms found at airports throughout the U.S., which tend to fall in the range of 3% to 4% annually. Although the trends in the Consumer Price Index have been somewhat lower over the past 20 years, airports are more severely impacted by rising costs associated with labor, concrete, asphalt, steel, fuel, and technology advancements. For example, the current rate of inflation has yielded a much higher CPI over the past year. Moreover, changing regulatory requirements by the FAA creates a greater level of risk associated with operating cost volatility. In addition, the lack of a reversion clause in leases at MAC reliever airports creates a revenue risk to the airport sponsor due to the inability to rely on future revenue streams to be derived from leasehold improvements that would typically revert upon lease termination. Therefore, the 4% escalator is deemed reasonable.

Moreover, an assessment of the current infrastructure preservation fees was requested by the client. While the infrastructure preservation fee imposed by MAC is certainly not consistently applied by airports throughout the country, it is a concept that is being applied and considered by numerous airports. Often called an “Airport Improvement Fee” or “Airport Infrastructure Fee”, the function is generally the same. While ground lease rates are specifically for the right to occupy property on an airport, with the revenues going toward the operation and maintenance of the airfield, the “Airport Improvement Fee” is generally set-up as a dedicated fund associated with funding projects that are not AIP or State grant eligible or associated with the funds necessary to

meet the matching grant portion for eligible projects. As such, these funds are not associated with day-to-day operations of the airport, but rather new improvements or the renovation/ rehabilitation of existing infrastructure. Many airports that impose these fees, or are currently considering them, have elected to enforce them via a dedicated fuel flowage fee assessment. In this scenario, the fees are imposed more directly on all users of the airport (not just the tenants) to contribute to the additional infrastructure needed to expand the airport and facilitate additional activity. One example would be the Draughon Miller Central Texas Regional Airport in Temple, Texas. This airport serves as the FBO and factors in a $0.30 per gallon "Airport Improvement Fee" into their fuel pricing that is dedicated to needed infrastructure improvements. Similarly, the Georgetown Executive Airport in Georgetown, Texas is currently evaluating a $0.40 per gallon dedicated fuel flowage fee assessment above the standard fuel flowage fee to fund future capital projects at the Airport that are outside of their planned TxDOT funding over the next several years.

Based upon the foregoing, it is our opinion that the current infrastructure preservation fee of +/-$0.12 per square foot of leasehold is generally reasonable. However, a few minor modifications to the assessment are recommended for consideration. First, the current policy of increasing fees at an annual rate of 5% is somewhat high on a year-over-year basis. It is recommended that any rate be adjusted commensurate with the applicable rate for underlying ground lease rates at each airport. Second, while the current system reflecting the same rate being applicable for each airport is fine, the allocation of infrastructure preservation fees to each airport based upon more of a prorated allocation should be considered. For example, STP and FCM generate the greatest revenue to MAC for the infrastructure presentation fees but exhibit the same priority in the allocation of those funds to pertinent projects at each airport.

Finally, the current fee structure places all of the economic burden on the airport tenants, with no quantifiable cost to transients. It is suggested that a transition of the infrastructure preservation fees to a fuel flowage fee assessment would be more appropriate in passing along some of the contributory costs to transient users of the airports. For example, a current fuel flowage fee assessment of $0.11 per gallon would yield a similar revenue stream to MAC as the current ground lease rate assessment. Moreover, the revenues would grow as the activity levels at

the reliever airports increase, which would be commensurate with the need for infrastructure improvements. As such, a fuel flowage fee assessment of $0.10 to $0.12 per gallon that is dedicated as the "Infrastructure Preservation Fee" is deemed a more fair and viable fee structure for the MAC reliever airport system.

Airport Business Solutions

CERTIFICATION

I certify that, to the best of my knowledge and belief:

The statements of fact contained in this report are true and correct.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.

I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

I have performed consulting and appraisal services regarding the properties that are part of this analysis within the 3-year period preceding the date of this assignment.

My engagement in this assignment was not contingent upon developing or reporting predetermined results.

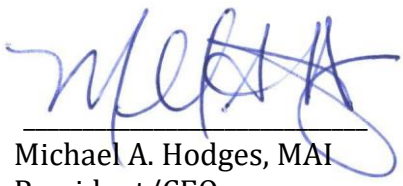
My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives, and I am currently certified under the voluntary continuing education program of the Appraisal Institute.

On June 15, 2023, Michael A. Hodges, MAI made personal inspection of the six reliever airports and all relevant properties thereon.

In preparation of this report, no one provided significant professional assistance to the person signing this report.



Michael A. Hodges, MAI
President/CEO
Airport Business Solutions

Airport Business Solutions

ADDENDA

Airport Business Solutions

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

Airport Business Solutions

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

1. The legal and/or metes and bounds as pointed out by the client are assumed to be correct.

2. No survey of the properties has been made by the consultant and no responsibility is assumed in connection with such matters.

3. No responsibility is assumed for matters of a legal nature affecting title to the property nor is an opinion of title rendered. The title is assumed to be good and merchantable but not necessarily owned in fee by the client as of the date of this opinion.

4. Information furnished by others is assumed to be true, correct and reliable. A reasonable effort has been made to verify such information; however, no responsibility for its accuracy is assumed by the consultants.

5. It is assumed that there are no hidden or unapparent conditions of the property, sub-soil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

6. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless noncompliance is stated.

7. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless non-conformity has been stated. All values stated herein are contingent upon the proper zoning, either existing or proposed, being granted by the local zoning authorities and adhered to regardless of the proposed use.

8. It is assumed that all required licenses and consents have been obtained from legislative or administrative authority for any use on which the value contained in this analysis is based.

9. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted within this analysis.

10. The consultant will not be required to give testimony or appear in court because of having made this analysis, with reference to the property in question, unless arrangements have been previously made.

11. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the consultants, and in any event, only with proper written qualification and only in its entirety.

Market Rent Analysis Update
Unimproved Aeronautical Land Rates
at the 6 MAC Reliever Airports
December 22, 2023

Airport Business Solutions

12. If there are any improvements of value, the distribution of the total valuation in this analysis between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other analysis and are invalid if so used.

13. No environmental impact studies were either requested or made in conjunction with this analysis and the consultants hereby reserve the right to alter, amend, revise or rescind any of the value opinions based upon any subsequent environmental impact studies, research or investigation.

14. Neither all nor any part of the contents of this appraisal, or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales or any other media without written consent and approval of the consultants. Nor shall the consultants, firm or professional organization of which the consultants are a member be identified without written consent of the consultant.

15. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the consultants. The consultant has no knowledge of the existence of such materials on or in the property. The consultant, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there are no such materials on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

16. Current and historical market conditions have been analyzed in anticipating trends pertinent to the date of analysis. It should be noted, however, that unforeseeable changes in economic and market factors could dramatically affect the value estimate and conclusions herein.

17. The consultant has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since the consultant has no direct evidence relating to this issue, the consultant did not consider a possible noncompliance with the requirements of ADA in estimating value.

18. Acceptance of and/or use of this report constitutes acceptance of the foregoing general assumptions and limiting conditions.

Airport Business Solutions

QUALIFICATIONS OF CONSULTANT

CURRICULUM VITAE

NAME: Michael A. Hodges, MAI

TITLE: President/CEO

FIRM NAME: ***ABS Aviation Consultancy, Inc. dba Airport Business Solutions***

ADDRESS: 90 Fort Wade Road, Suite 100
Ponte Vedra, Florida 32081-5114

PHONE: Office (813) 855-3600
Cell (813) 317-3170

EDUCATION

Graduate of the University of Tennessee with a Bachelor of Arts Degree - Major in Philosophy.

PROFESSIONAL AND TECHNICAL COURSES

Currently certified in the program of continuing education as required by the Appraisal Institute.

Completed requirements for MAI member designation of the Appraisal Institute to include peer review of appraisal assignments, completion of a demonstration appraisal report on an income-producing property, experience rating, and educational courses.

BACKGROUND AND EXPERIENCE

President and CEO of ***ABS Aviation Consultancy, Inc. dba Airport Business Solutions (ABS)***, a diverse aviation valuation and consulting firm which specializes in the analysis of airports, fixed base operations, and other aviation-related properties for lease negotiation, acquisition, litigation, leasehold and going-concern valuation, and bankruptcy, as well as providing specialized airport management consulting, to include policy development, to airports of all sizes. Additional expertise offered in the area of financial self-sufficiency analysis for general aviation airports and through-the-fence access agreements and operations.

ABS has provided a myriad of services to airports throughout North and South America, Asia, and Europe. Using our extensive and diverse experience, ***ABS*** has assisted airports throughout the world in such areas as business plan development and implementation, concessions planning and management, air cargo assessments, facility/operating agreement

BACKGROUND AND EXPERIENCE (Continued)

negotiations, terminal design, parking assessment, rental car analysis, general aviation operations and management, non-aeronautical land development, financial modeling, and full or partial airport privatization assessments.

President and CEO of ***ABS Aviation Management, Inc. dba ABS Aviation***, an airport and FBO management services entity currently providing comprehensive airport management of the Minden-Tahoe Airport in Minden, Nevada.

Aviation President of Kompass Partners from 2005 through 2013. Kompass Partners was a Hong Kong-headquartered company specializing in creating successful partnerships between U.S. and Chinese aviation businesses.

Vice President and Part Owner in the firm of Hodges, McArthur, & Dunn, P.C. Real Estate Appraisers and Consultants from 1990 through 1995. Hodges, McArthur and Dunn, P.C. was a full-service real estate appraisal and consulting firm with offices in Knoxville, Nashville, and Memphis, Tennessee, and Atlanta, Georgia. Responsibilities included appraisals, general feasibility studies, and market analyses on a variety of property types involved in financing, acquisition, condemnation, bankruptcy, litigation, and estate valuation.

Founder and President of HMD Aviation Appraisal Group in 1994, a division of Hodges, McArthur & Dunn, P.C. HMD Aviation Appraisal Group was a real estate appraisal and consulting firm which specialized in the valuation of the real estate aspect of fixed base operations and other aviation-related properties for lease negotiation, acquisition, litigation, leasehold valuation, and bankruptcy.

Staff Appraiser with Hodges and Wallace Appraisal Associates from 1982 through 1990. Responsibilities included research, appraisals, general feasibility studies and market analyses on a variety of property types involved in financing, acquisition, condemnation, bankruptcy, litigation, and estate valuation.

COURT EXPERIENCE

Qualified as an expert witness in various courts in Florida, Georgia, Tennessee, Kentucky, Arizona, Colorado, and California on various valuation, management, financial and operational issues on airports, aviation businesses and aviation-related properties.

TERRITORY

Airport Business Solutions is based in Jacksonville/Ponte Vedra, Florida with satellite offices in Asheville, North Carolina, Denver, Colorado, and Minden, Nevada. The firm has completed a variety of assignments throughout the United States, Asia, Europe and Latin America, to include valuation, consultation, and miscellaneous advisory services.

AFFILIATIONS AND DESIGNATIONS

Elected to Membership in the Appraisal Institute with an MAI designation on April 20, 1994 - Member No. 10,333.

State of North Carolina – Certified General Real Estate Appraiser – Certificate No. A8162

State of Florida - Certified General Appraiser - License No. RZ2770

Commonwealth of Pennsylvania - Certified General Appraiser - Certificate No. GA-001626-R

State of Georgia - Certified General Real Property Appraiser - License No. CG004018

State of Texas – Certified General Real Estate Appraiser – License No. TX 1338569 G

State of Tennessee - Certified General Real Estate Appraiser – License No. 5506

State of South Carolina – Certified General Appraiser – License No. AB 3026 CG

Commonwealth of Kentucky – Certified General Real Property Appraiser – License No. 5750

State of Washington - Certified General Real Estate Appraiser – License No. 21023430

Member of the Appraisal Institute's Young Advisory Council in 1994, 1995 and 1996

Corporate Member of the National Air Transportation Association (NATA)

Corporate Member of the American Association of Airport Executives (AAAE)

Corporate Member of the National Business Aviation Association (NBAA)

Member of AAAE's General Aviation Airports Committee

Member of NATA's Airport Business Committee

Member of AAAE's Airport Sponsor FBO Committee